

Private foundation adjusted net income; pre-1970 principal and interest received. Repayments of principal received by a private foundation in taxable years beginning after 1969 on loans made in prior years to individuals for charitable purposes are not includible in its gross income to determine its adjusted net income for purposes of section 4942(f) of the Code; however, payments of interest on such loans are includible.

In taxable years beginning prior to December 31, 1969, a private foundation, as defined in section 509(a) of the Internal Revenue Code of 1954, made loans to individuals for purposes described in section 170(c)(2)(B) of the Code. In taxable years beginning after December 31, 1969, the private foundation received payments of both principal and interest on such loans.

Held, for purposes of determining the private foundation's 'adjusted net income' under section 4942(f) of the Code, amounts received by the private foundation in taxable years beginning after December 31, 1969, representing repayment of principal on loans made in taxable years beginning prior to that date, are not includible in the private foundation's gross income in the year of repayment.

Held further, amounts received by the private foundation in taxable years beginning after December 31, 1969, representing payment of interest on loans made in taxable years beginning prior to that date, are includible in gross income to the private foundation in the year of payment for purposes of determining its 'adjusted net income' under section 4942(f) of the Code.